

# HEALTH AND HUMAN SERVICES AGENCY



**S. KIMBERLY BELSHÉ**  
SECRETARY

## Statement by Health and Human Services Secretary Kim Belshé about Governor's 2008-09 Budget Proposal

Since assuming office, Governor Schwarzenegger has made clear the importance of addressing California's fiscal challenges and getting the state's fiscal house in order. While progress has been made in recent years, considerable work remains in the effort to align revenues and expenditures. Indeed, closing the state's \$14.5 billion structural budget gap compels extraordinary action.

To close the budget deficit, the Governor's Budget for fiscal year 2008-09 calls for a 10% across-the-board reduction to most General Fund departments and programs. All state departments and programs that receive a portion of the General Fund will contribute to the budget solution.

The Governor's across-the-board reduction approach is designed to protect essential services by spreading reductions as evenly as possible so that no single department or program is singled out for severe reductions. This approach stands in stark contrast to previous budget reduction efforts that protected major portions of the state budget, such as education and corrections, due to constitutional and legal considerations. Such approaches have resulted in health and human services programs – charged with providing services and supports to our state's most vulnerable residents – being vulnerable to disproportionate budget cuts.

The 10% GF budget reduction targets were based on projected program expenditures for fiscal year 2008-09 under existing law and policy – known as the "workload budget" - and not on current year spending levels for fiscal year 2007-08.

Some programs were reduced less than 10% to account for fiscal or administrative impracticality, such as revenue generating functions, federal constraints, and specific functions that were needed to protect health and safety. Reductions in the 10% reduction targets were very limited.

The severity of the state's budget gap requires immediate action; the Governor's budget therefore anticipates enactment by March, 2008, in an effort to maximize necessary savings in the budget year.

The depth of the state's fiscal challenges compels difficult decisions by the Governor in all general fund-supported agencies and departments, including the California Health and Human Services Agency (CHHS).

The Governor's record of support of CHHS's efforts to provide services and supports to our state's most vulnerable residents is clear and strong. The Governor has endeavored to ensure the state has a strong and responsible safety net for our residents most in need - support demonstrated in a number of ways, including through additional investments in such programs as:

- Child welfare services;
- Emergency preparedness;
- Children's health care; and
- Support for seniors and persons with disabilities.

### Agency Departments & Boards:

Aging

Alcohol and  
Drug Programs

Child Support  
Services

Community Services  
and Development

Developmental  
Services

Emergency Medical  
Services Authority

Health Care Services

Managed Risk  
Medical Insurance

Mental Health

Public Health

Rehabilitation

Social Services

Statewide Health  
Planning and  
Development

Notwithstanding the Governor's clear support for the CHHS's efforts on behalf of vulnerable populations, the budget's across-the-board approach will require reductions in these and nearly all general fund-supported programs and services.

While difficult, this approach does protect essential services by spreading reductions as evenly as possible across all programs – to ensure that no department or program is singled out for severe reductions.

What does this approach mean for CHHS?

- General Fund spending will be reduced by \$2.7 billion in fiscal year 2008-09 (spending is reduced from a projected \$32 billion General Fund to \$29.3 billion General Fund).
- The bulk of these reductions - \$2.5 billion – is in ten areas (roughly \$2 billion of which is in the Departments of Social Services and Health Care Services, two of the state's largest General Fund departments).
- Nearly 370 positions will be eliminated throughout CHHS and its departments.
- The target of 10% annualized savings will be realized in FY 2009-10.

This is a hard budget; a difficult budget; it is a budget that reflects the severity of the state's extraordinary fiscal circumstances and the responsibility of the Governor to propose a budget that closes the fiscal gap.

At the same time, it is a budget that recognizes that responsibility for closing the budget gap must be broadly shared. In so doing, the across-the-board approach ensures that CHHSA is not disproportionately responsible for closing the budget gap and that the state is able to continue to ensure a safety net of services - for those who find themselves in need of temporary help and assistance, as well as for those with longer-term challenges that impede their ability to live independently or to become self-sufficient and self-supporting.

Finally, I'd like to say a word about health care reform.

While the state's current budget crisis compels reductions in all General Fund supported programs, the Governor does not believe that we can let the fiscal challenges of today prevent us from pursuing health care reform for the future. The near-term budget reductions – while difficult – will protect eligibility for our state's lowest income residents, retain comprehensive benefits, and maintain a strong foundation upon which health care reform can be built.

Health care reform is budget neutral and includes built-in mechanisms to ensure that health care reform components are financially self-sustaining outside of the General Fund. Through the Act, California achieves landmark reform that strengthens our health care system when we need it most.

We will get through this budget crisis in California. Both the Legislative Analyst's Office and the Department of Finance project that economic growth should begin to pick up in late 2008. Two years from now, in 2010, we will be glad we did not give up on the opportunity to achieve health care reform.